
Finance Committee

HB 2352

Brief Description: Exempting persons engaged in farming and certain farming services from business and occupation taxation.

Sponsors: Representatives Grant, Linville, Simpson and Bailey.

Brief Summary of Bill

- Exempts custom farming services from the business and occupation (B&O) tax.
- Exempts farm management services, contract labor services, and farm animal services if performed by a related party.
- Exempts the hauling of agricultural products or farm machinery from the public utility tax if performed by a related party.

Hearing Date:

Staff: Rick Peterson (786-7150).

Background:

The business and occupation (B&O) tax is assessed on the gross proceeds of a business and the tax rate depends on which category the business activity is placed. The business and occupation (B&O) tax does not apply to agricultural products sold at wholesale by farmers. Currently, custom farming activities fall under the catch-all "service and other activities" category and are subject to a 1.5 percent tax rate. Motor transportation services are subject to the public utility tax and are assessed a 1.926 percent rate.

Summary of Bill:

Custom farming services, such as custom plowing, cultivation, planting and harvesting performed for farmers is exempt from the B&O tax. Custom fertilizing and custom spraying are exempt from the B&O tax only if performed by a person who is related to the farmer.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Farm management services, contract labor services, and services for farm animals, if performed by a person related to the farmer or the custom farm operator, is exempt from B&O tax.

Persons hauling agricultural products or farm machinery are exempt from the public utility tax if the service is provided to a farmer or a person performing custom farming service, but only if the hauling is done by a related person.

Appropriation: None.

Fiscal Note: Requested on March 9, 2007.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2007.